

# US imposes 30% tariffs on steel imports

Yesterday the US imposed 30 per cent tariffs on most steel imports to protect a domestic industry that says it has been battered by imports of cheap steel. The trade restrictions are the most severe ever imposed by the US on steel, going well beyond the mid-1980s when the US forced Europe and Japan to curb steel exports to the US or face punishing quotas.

The European Union pledged to launch a complaint to the World Trade Organization against the new US steel tariffs, which it said represented 'a clear violation of WTO rules on free trade'.

The EU, which supplies about one-fifth of US steel imports, is likely to be hardest hit by the US actions. Corus, the Anglo-Dutch steel group, warned

they would have a 'potentially harmful' effect on its business.

In a hard-hitting statement, Pascal Lamy, the EU trade commissioner, said the EU would take whatever measures necessary to protect its steel industry from an expected surge in imports as other steelmakers accustomed to exporting to the US, such as Russia, Japan and South Korea, search for alternative markets.

'I fear the US move will end any hope of finding an internationally agreed solution to overcapacity problems faced by the world steel industry, and will not rein in global subsidies' Mr Lamy said. Talks were supposed to resume next month in Paris to look for negotiated cuts in global steel output.

Adapted from *The Financial Times*, 6.3.2002

- 1 Suggest reasons why the US imports steel from other countries as well as having US companies able to produce steel. (4 marks)
- 2 What is a 'tariff'? How does it differ from a 'quota'? (4 marks)
- 3 Why do you think the US imposed a tariff on steel imports? (6 marks)
- 4 Suggest why the World Trade Organization might consider the US tariff a 'violation of WTO rules on free trade'. (4 marks)
- 5 Suggest why subsidies given by various governments to their domestic steel industries could have resulted in 'overcapacity problems faced by the world steel industry'. (6 marks)
- 6 Explain the possible impact the US tariff could have on the output and employment of steel companies in other countries. (6 marks)